

UNLEASHING SOUTH ASIA

6TH SAARC BUSINESS LEADERS CONCLAVE
16-18 MARCH 2018, KATHMANDU, NEPAL



March 17, 2018

Newsletter

6TH SAARC BUSINESS LEADERS CONCLAVE 2018
MARCH 17, 2018

DAY 2 SESSION PLAN

9:00 AM - 10:15 AM
Unleashing South Asia:
A Mantra For Shared
Economic Prosperity

10:00AM-11:00 AM
Political & Economic
Convergence For Growth:
The Way Forward

11:30AM - 12:30PM
South Asia: Building
Partnership In The Global
Economy

12:30PM-13:30AM
Regional Integration And
Energy Cooperation: Success
Through Synergy

14:30PM - 16:00PM
Parallel Session A
Tourism Promoting And
Branding Our Common
Cultural Heritage
And Fostering Mutual
Understanding

14:30PM - 16:00PM
Agribusiness: Target -
Doubling Agribusiness By
2030

14:30 PM- 16:00PM
Digital Economy: A Future
For South Asia

19:00PM
Threads of Hope - Fashion
Event

6TH SAARC BUSINESS LEADERS' CONCLAVE KICKS OFF

Partnership among SAARC countries key for regional prosperity: PM Oli



The three-day SAARC Business Leaders' Conclave kicked off in Kathmandu on Friday.

The conclave organized by SAARC Chamber of Commerce and Industry (SAARC-CCI) was inaugurated by Prime Minister KP Sharma Oli amid a grand ceremony held at Hotel Hyatt Regency in Kathmandu.

Speaking at the inaugural ceremony, Prime Minister Oli said that there was a need to foster partnership among South Asian countries for their development and prosperity. He said that he hopes the business leaders' conclave will help in giving a direction to the South Asian countries for their shared prosperity. Stating that the country was ready to move ahead by forging partnership with South Asian countries with the end of long-running political transition, he said that partnership should be aimed at tapping into resources available in the country for eco-

Connectivity will make possible impact on economy and people of the region.

nomic development of the region.

PM Oli was also quick to urge foreign investors to make their investments in Nepal which, he said, was now heading toward an era of economic development.

"The new government has been formed following the promulgation of new constitution and successful completion of election of all three tiers," he said. "I would like to assure that the new government will always become friendlier to the private sector and their investment. He also vowed to take along the domestic and foreign in-

vestors on the path of economic development of the country.

Also speaking at the inaugural ceremony, SAARC Secretary General Amjad B Sial opined that there should be BIPPA, SAARC Motor Vehicle Agreement and other trade and business pacts among South Asian countries.

According to Sial, efforts to materialize these agreements are underway. He said that he expects the conclave will help in increasing the private sector's role for the development of the region. "I hope that the conclave will be important in utilizing the opportunities and resources available in the region for shared prosperity of the region," he said. "The governments of South Asia should put emphasis on connectivity and mutual economic cooperation through public-private partnership."

Similarly, Federation of Nepalese Chambers of Commerce and Industry (FNCCI) President Bha-

wani Rana said all member states of SAARC should work for wellbeing of people through trade and investment promotion. "We should promote connectivity in the region through railway, roadway and airline operation. Connectivity will make possible impact on economy and people of the region," he added. Rana also added that there should be constant interaction between the government and the private sector of the region. She also said that SAARC member states should focus more on economic development and prosperity of the region.

More than 200 representatives from SAARC member countries are participating in the conclave which will continue till Sunday. Different panel discussions on trade, opportunities and cooperation within SAARC region will be held during the conclave. Participants will deliberate on wide range of issues like common prosperity of SAARC member countries, intra-regional trade and investment promotion, solution to economic and political crisis, SAARC's role in global economy, energy, and success stories of SAARC region, among other issues.

Om Rajbhandari, vice president of SAARC CCI, said that the conclave will be important in terms of promoting regional trade and investment.

It is expected that the 6th SAARC Business Leaders' Conclave will create a new roadmap for economic development and prosperity of SAARC region. This is the second time that Nepal is hosting this conclave.

The conclave is scheduled to conclude on Sunday.

Private sector is doing what it can

• **Suraj Vaidya**
President,
SAARC-CCI



When I was nominated as the president of SAARC-CCI two years ago, I had a six-point agenda for the institution. These include strengthening the secretariat of SAARC-CCI, completing the construction of the SAARC-CCI building, and framing policy issues for

making trade and investment easier within South Asia. Similarly, increasing the youth involvement in SAARC, making women entrepreneurs more active, and enhancing the image of SAARC were the other three agendas. We have been able to complete quite a few things. Construction of the secretariat building completed two years ago in the land provided by the Pakistani government some 20 years ago. We also have the first woman secretary general in SAARC-CCI.

Regional offices have been set up in Mumbai in India, Colombo of Sri Lanka and Dhaka of Bangladesh to strengthen our activities. We have also launched a book titled 'Unleashing South Asia' which has 20 projects from each member country. We have also conducted road shows within and beyond SAARC region to attract investment. Of the 20 projects we have identified in each country, joint ventures have been signed for 12 projects across SAARC and some are in the nego-

tiation stage.

I must say that my two years at the helm have been a difficult period. Relation between SAARC countries has not been at the best. SAARC summit was cancelled and commerce ministers have not met for the last four years. Many of the declarations made during the SAARC Summit have not moved forward. Despite this, we conducted a business meet every quarter.

I think we have built a strong network of business community in

South Asia. We have also worked on facilitating trade. We are citizens of South Asia and our job is to bring hope to the people. But the final decision always lies with the political leaders. What we are pushing for is free movement of people and investments across the region. On this front, the concept of BBIN motor vehicle agreement was also launched. Nepal, Bangladesh and India had strongly supported it. But Bhutan had some reservations. As the SAA- (...cont. pg 2)

Trust deficit hits intra-regional trade in South Asia: A call for Tiger economies for quick action

• Gopal Prasad Tiwari



South Asia, excitingly wonderful region on earth that is home to one-fourth of the world's population (1.7 billion), is an emerging strong economic block in a changing landscape of geopolitical environment. Strong economies like India and Pakistan should be strengthened further, digging out the untapped potentials existing in the South Asia region for greater regional integration. However, the pathetic performance of five percent share in intra-regional trade 'urgently' demands more aggressive reforms from all the SAARC governments motivating the private sector with 'convincing' incentives. Not only that removing barriers to doing business in South Asia is a key for shared regional prosperity.

Role of Tiger Economies

India, with almost 82 percent of the South Asia economy, is the largest and fastest growing economy in the region and 7th largest in the world. India's role in South Asia seems inevitable, hoping that it plays a coordinating role to other SAARC member nations to advance intra-regional trade jointly. Pakistan is the second that has higher GDP per capita in the region followed by Bangladesh and Sri Lanka. It naturally reinforces that intra-regional trade can only be boosted if the influential economies could play a catalyst role in creating a sound business environment and creating more entrepreneurs to boost regional

economies. The region can increase from 5 percent to at least 7 percent within 3 years if we move rigorously. India and Pakistan, taking the confidence of other small neighbors, need to coordinate and consolidate trade potentials with the help of private sector to advance regional trade integration for better livelihoods through trust-building initiatives.

Global Trend

For regional integration to be advanced economically, trade integration is a key as we observed in later part of 20th century in Latin America to lift poor out of poverty. And it is even more important in a changed globalized trading regime. It should be a powerful driver for more aggressive growth for the 21st century as well.

The emergence of Pacific Alliance formed by Mexico, Colombia, Chile and Peru is a greater strategic mechanism for market integration, regional cooperation and innovation management in trade as these countries alone occupy 33 percent of Latin America's total GDP, 50 percent of Latin American exports and 40 percent of the total foreign direct investment (FDI). This block can be a critical partner to increase trade with Asia Pacific economies especially with Australia, Canada, New Zealand and Singapore, and compete in a healthy manner as its products and services can be complementary to reap benefits going on in the regional blocks. ASEAN, a 10-country bloc, has become competitive and globally integrated, thanks to its dynamic trade and investment through re-

gional trade arrangements (RTAs) that have boosted intra-regional trade. ASEAN's progress in peace, prosperity and geopolitical stability has encouraged others also to go for more regional development through internal reforms, according to UNCTAD 2017 report.

South Asia And Way Forward

South Asia's share in the global trade is less than 2 percent and intra-regional trade stands at around 5 percent. Not only that, internal air freight is less than one percent of total trade volume, and over a third of South Asia's exports consist of textiles and clothing. The ports in the Bay of Bengal have low levels of productivity and South Asian logistics sector is still struggling to modernize for greater trade benefits. Improved infrastructure itself is a motivational factor to expand business and to explore the potentials for stronger regional production networks and cross-border trade in services.

Informal trade in South Asia seems high compared to formal. It needs to be managed for visible achievements in intra-regional trade. Intra-regional trade with improved infrastructure development, product sharing, better transportation connectivity and price harmonization definitely help in realizing existing trade potentials. The call for forming South Asian Customs Union and Economic Union, and South Asian Regional Standards Organization is turning out to be just tall talks. Even the SAARC is not functioning well as summits are not held on time due to trust deficit among members countries. The issue of favoring least developed

countries (LDCs) with the special and differential treatment is also not being materialized. India and Pakistan do more than 90 percent of trade in the region. Reform in customs and transit procedures, customs clearances, and labeling and testing requirements including harmonization arrangements might help to augment trade potentials in the region. Intra-regional trade can be further enhanced if Nepal, India and Bangladesh could push additional power deals in SAARC region which they have started lately. Nepal seems ready for power sector to take lead.

Key tips for enhancing intra-regional trade

- Trust building among SAARC member states
- Reduction of high costs of trading
- Improving transportation connectivity, logistic infrastructure, and making trade facility effective
- Increasing investment, especially focusing on infrastructure to reduce costs
- Making SAFTA more functional
- Eliminating non-tariff barriers, major hurdles for regional trade movement
- Removing technical barriers to trade
- Removing regulatory constraints/barriers to attract more trade/investment
- Enhancing international competitiveness to be more globalized
- Strengthening supply side capacity
- Implementing bilateral and regional agreements efficiently

Private sector...

RC-CCI president, I went to Bhutan and held meetings with the prime minister, transport minister and the Bhutanese private sector. We discussed on how we can ease the transit issue by proposing dry ports at the border of Bhutan and using Bhutanese transporters in the country. We hope Bhutan will give priority to BBIN motor vehicle agreement and ratify it. So, I would say that the private sector is doing what it can.

Ever since SAARC was formed, there has not been a major war in South Asia. We have had three major wars in South Asia, mainly between, India, Pakistan and Bangladesh. All of us agree that the biggest danger to people's livelihoods and economic development and prosperity are wars. SAARC is the only platform where all eight member countries can sit and discuss on resolving issues. As long as we have discussions, wars can be prevented. My point is, SAARC has not succeeded in terms of providing investment opportunities like the European Union or ASEAN have done in their respective regions. SAARC is a platform, where people can sit and talk. They can agree or disagree on issues.

Low investment in the region is not because of SAARC. It is due to the policies of individual countries. Nepalis and Bhutanese cannot invest out of their country. This is not a problem created by SAARC, but by their respective governments. The countries in South Asia should liberalize a bit more and open up trade and investment. Sub-regional cooperation can be a complement to the regional initiative.

(This article has been adapted from an interview of Vaidya published in The Himalayan Times daily of Nepal dated February 26, 2018)

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ROAD TO SOUTH ASIA

We need to focus on connectivity

- Bhawani Rana
President, FNCCI

This conclave will debate on different issues to identify solutions and opportunities to take South Asia on the path of prosperity and growth. This region has immense possibilities which need to be tapped, and all the nations should work together for the region's prosperity of the region. As the region is blessed with vibrant youth population, the only thing that needs to be done is proper use of resources. South Asian economy can be a major force as the global economy is slowly shifting towards Asia. In order to achieve this, the trade relation between the South Asian countries should deepen further; and the connectivity should be increased. We need to focus on more quality infrastructures like railways, roads, air connectivity, and digital connectivity. Smooth and easy movement of people in the South Asia region will also help to make the region

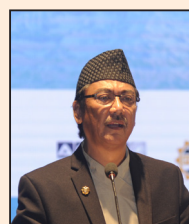


more prosperous. When people move from one place to another, trade, tourism and investment will flourish automatically, paving the way for the positive socio-economic impact on the people and national economy.

Focus should be on creating new jobs

- Suraj Vaidya
President, SAARC CCI

We have worked hard on what the people of South Asia want. This is a region of opportunities as the combined economy of this region is the fifth largest in the world in term of gross domestic product (GDP). The combined GDP of the South Asian region was \$2.6 trillion in 2016, and is projected to grow to \$6.5 trillion by 2030. We are the region with untapped natural resources, and have potential to produce high amount of hydropower energy which can change the fate of this region in no time. According to the World Bank (WB), one-fifth of the population of South



Asia is between the age of 15 to 20 years. The number shows that this region is marching toward development. Now, this region needs to create enough job opportunities to march toward development and prosperity. The region also needs to increase connectivity as South Asia is known as the region with least connectivity.

Concept of regional investment must materialize

- Matrika Prasad Yadav
Minister for Industry, Commerce and Supplies
Government of Nepal

It is a bitter truth that despite our sincere efforts and commitments, South Asia is still fallen behind and is known as one of the least integrated and backward regions. So, we need to utilize SAARC as a regional instrument to materialize the noble objective of economic integration. Through economic integration, we would be in the position of ensuring pros-



We could not utilize our potential



Chandra Kumar Ghimire is the secretary at the Ministry of Industry, Commerce and Supplies, Government of Nepal. As business leaders from across South Asia gather in Kathmandu for a three-day SAARC Business Leaders' Conclave that kicked off on Friday to discuss, debate and create solutions and opportunities to take the region on the path of shared prosperity through economic integration, *Unleashing South Asia* talked to Ghimire to know about challenges in tapping the economic potentials of the region and the initiatives that has been taken to deal with those challenges. Excerpts:



Intra-regional trade and investment among SAARC countries is very low. How do you think the government and the private sector can help in strengthening economic ties among SAARC countries?

Our top priority should be in boosting intra-regional trade. For enhancing trade among SAARC countries, we have brought the concept of South Asian Free Trade Area (SAFTA) after South Asian Preferential Trade Arrangement (SAPTA). Now, we also have the SAARC Agreement on Trade in Services (SATIS) along with various mechanisms to implement these concepts. However, data shows that the volume of trade within SAARC countries has not increased as expected. Intra-regional trade accounts

for only 5 percent of South Asia's total trade, compared to 60 percent in European Union and 25 percent in ASEAN. We could have easily doubled the volume of trade of Rs 40/50 billion by now. We have invited opinion makers to this conclave to discuss on ways to tap the immense trade potentials that exists in the region. We expect to get their collective voices during the conclave which will help us to frame policies and implement them in the days to come.

Many critics say that SAARC has not been able to function effectively due to weak institutions under the regional bloc. What do you say?

Weak institutional capacity is the problem for almost all least developing countries. It is partially true that our weak capacity in SAARC has hindered the implementation of decisions to an extent. Private sector as well as other stakeholders are also strongly raising this issue. However, there is no alternative of moving ahead toward progress by improving and enhancing our institutional capacity.

South Asian countries are suffering from common problems. Poverty is at one of the highest levels in these countries. Don't you think it is high time we reviewed our policies and functions?

You are right. Nearly one-third of the world's population is poor. We definitely have a role in reducing poverty. Economic prosperity is our shared value in South

Asia. We also have similar language, systems and cultural affinity. Our problems are also similar. As experiences in other parts of the world have shown, economic prosperity is possible if we succeed in integrating our markets. Market integration in South Asia is a key to our shared prosperity and reduction of poverty.

Kathmandu is currently hosting the 6th edition of SAARC Business Leaders Conclave. What is your message to the business leaders who are participating in this jamboree?

I want to urge business leaders to increase investment in SAARC countries. We have been saying that foreign direct investment (FDI) comes only from developed countries. This is not true. FDI flows from emerging economies and developing countries. In South Asia, India has been making foreign investment in other countries. If we see top 100 non-financial multinational countries, nearly seven such companies have their origin in India. China has nearly 25 such companies. This data shows that we can find investment within South Asian countries. South Asian investors have resources and capacity for such investment. Sri Lanka, Pakistan and Bangladesh also have such investment prowess.

I urge business leaders to make investment within South Asian countries. SAARC Economy Union is where we want to reach. If the economies of South Asia become more vibrant and dynamic, we can probably go toward common currency zone. I want to request one and all to be prepared for that and support from their levels to reach at that point.

It has been nearly four years since the SAFTA Ministerial Council meeting was held. Commerce ministers from all South Asian countries are participating in this conclave. Is there any plan to hold meeting with them toward giving impetus to the council meeting?

The SAFTA Ministerial Council meeting will convene at an appropriate time. There are some works that we have to do for implementation of SAFTA. They are tariff liberalization, rule of origin and sensitive list. We will work together in the coming days to settle these issues.

MEDIA HIGHLIGHTS



SIAN PROSPERITY...

perity, good governance and stability for all SAARC member countries and its people. In this respect, SAARC should focus on development issues in the region like widespread poverty, among others. To reduce poverty to single digit within a generation, we need to pursue high quality growth that is more inclusive, broader, and more sustainable. Despite poverty, backwardness, and fragile economic and social infrastructures, South Asia is one of the rich regions in many respects in the world. The abundant natural resources such as hydroelectricity, mining, forestry and tourism provide ample opportunities for us for our common wellbeing and distribute its benefits to all. For that, we need to materialize the concept of regional investment in practice.

We must promote regional economic integration

- Amjad B Sial

Secretary General, SAARC

This conclave will be fruitful for South Asian economy as there will



be deliberations among the prominent leaders to discuss the role of private sector regarding development and prosperity of the region. The theme of this conclave is relevant to the 18th SAARC Summit declaration where the leaders committed to form the South Asian Economic Union for achieving economic prosperity. SAARC represents the largest geo-economic growth of the world, and nearly one-quarter of the world population live in this region. Promoting regional economic integration has been one of the agenda of SAARC. Realizing this objective, we are working on bringing down tariffs, and in the process of operationalizing SAARC agreement on trade and services. We are also working on SAARC motor vehicles agreement and railways agreement. Many other agreements are also under consideration. Public Private Partnership model can also be very crucial for promoting the regional economic integration and connectivity. SAARC CCI plays a very vital role in this regard.

Conclave will explore new possibility in trade, economic cooperation

- Ronald Meinardus
FNF Regional Director

Economic freedom and cooperation across borders hold the key for development of the SAARC region. South Asia is the least integrated region in the world, and now is time to change this. Internationally, the policy environment has changed, which is good for many nations to achieve prosperity and development. They say 'when goods don't cross borders, armies will'. So the strong trade relationship among the South Asian countries will help to foster economic relation and development. I am hopeful that this conclave will be able to explore the new possibilities on trade and economic cooperation in this region. SAARC region has immense opportunities. The region has enough number of youths and working population. So, there should be economic ties among the nations to make South Asia prosperous and developed.



INAUGURAL GLIMPSES



PAST CONCLAVES:



1. 1st SAARC Business Leaders' Conclave
November 17-18 2005, New Delhi
Theme: South Asia Regional Integration and Growth
2. 2nd SAARC Business Leaders' Conclave
February 17-18 2007, Mumbai, India
Theme: Regional Cooperation: A Springboard for Growth & Job Creation
3. 3rd SAARC Business Leaders' Conclave
22-23 November 2009, Colombo (Sri Lanka)
Theme: Regional Cooperation: A Catalyst for Socio-Economic Growth in South Asia
4. 4th SAARC Business Leaders' Conclave
20-22 September 2011, Kathmandu (Nepal)
Theme: Peace and Prosperity through Regional Connectivity
5. 5th SAARC Business Leaders' Conclave
16-17th Jan 2014, New Delhi (India)
Theme: South Asian Century: Progressing towards Regional Integration