

Welcome Address by Saman Kelegama, Executive Director, Institute of Policy Studies of Sri Lanka (IPS) at the seminar on ‘ADB-UNCTAD Study on Regional Cooperation in South Asia: Benefits from SAFTA and the Way Forward’, organized by the IPS in Collaboration with ADB and UNCTAD, Taj Samudra Hotel, Colombo, 13 March 2008.

This seminar was planned some time in early February by the IPS in co-ordination with ADB-India and UNCTAD-India. As indicated in the letter of invitation and the Executive Summary in your folder, the objective of the seminar is to discuss this in-depth study done over the past 2 years on ‘Quantification of Benefit from Regional Cooperation in South Asia’. This study which has two components, viz., ‘Benefit from SAFTA: Trade, Investment, and Transport Facilitation’ as Volume 1 and ‘Benefits from Deepening Integration: Trade in Services’ as Volume 2 was done by UNCTAD-India project on “Strategies and Preparedness for Trade and Globalization in India” and ADB’s “Economic Thematic and Sector Work Studies”.

Based on the study, a series of seminars are planned in five of the SAARC countries to disseminate the findings and obtain feedback from the stakeholders - government, private sector, academia, and civil society involved with international trade. The IPS jointly with ADB and UNCTAD took the initiative to organize this seminar to obtain a feedback from the stakeholders of Sri Lanka and Maldives.

This study as you could see, starts with a comprehensive literature survey summarizing the findings of various studies done on the impact of SAFTA using gravity models, CGE models, and partial equilibrium models. This is the most comprehensive literature survey that I have seen on the subject matter. This survey provides the foundation for the study by looking at the existing debate on SAFTA, in particular the gains and losses. Studies using different methodologies often come out with different results. It is time to put the debate on a better perspective by doing a deeper analysis and this is precisely what has been done in this study. In contrast to most other studies which have taken a tariff based analysis, this study gives a more holistic picture of the effects of SAFTA on trade,

investment and welfare. The executive summary circulated amongst participants highlights the key findings of the study.

Noteworthy among the key findings are: (1) SAFTA is more trade creating and is likely to lead to stronger economic growth in the region, notwithstanding mixed results from various studies, (2) much higher gains of SAFTA will be possible by including trade in services, (3) since India is growing rapidly it has a potential to serve as a growth pole in the region, and (4) gains for Sri Lanka will be limited from SAFTA since it already has FTAs with India and Pakistan. These are only a few striking conclusions of many areas covered such as expected revenue losses from tariff reductions, investment creation consequent to SAFTA, welfare gains, and so on.

During the deliberations today, most of these findings will be subject to debate and discussion. We will also have to look at the politics of the region when discussing economic gains from SAFTA, for the political economy of trade is crucial in reaping the potential gains. We will have to examine how we could make trade work for the people in the region. With the presence of two former distinguished Secretary-Generals of SAARC, I am sure we will be able to discuss the political side of trade gains in the region and the practical side of implementing some of the trade policies.

I must commend the ADB and UNCTAD for this very in-depth and comprehensive study. I hope after our deliberations today, we can highlight some of the findings of this study to the Ministry of Foreign Affairs in Sri Lanka and Maldives so that some of the policy proposals find their way to the SAARC Summit. As you all know, Sri Lanka will be hosting the 15th SAARC Summit during 28th July - 3rd August this year to coincide with our 60 years of independence. Seminars such as this will serve a purpose if they could influence policy at the highest level and this is something we should attempt when the SAARC summit is near the corner. We have here members from the government, private sector, academia and civil society participating. Members from the media are also present here today. I am sure they can play a role in influencing the political establishment on the way forward with SAFTA.