

**Welcome address by Dr. Saman Kelegama, Executive Director, Institute of Policy Studies of Sri Lanka (IPS) at the Inauguration of the 1<sup>st</sup> South Asia Economic Summit, BMICH, Colombo, 28 August 2008.**

It gives me great pleasure to welcome all of you to the 1<sup>st</sup> South Asia Economic Summit jointly organized by the Institute of Policy Studies of Sri Lanka and the Federation of Chambers of Commerce and Industry of Sri Lanka. Our co-partners in this exercise are the Research and Information System for Developing Countries based in India, the South Asia Watch on Trade, Economics, and Environment based in Nepal, South Asia Centre for Policy Studies based in Nepal, the World Bank, Commonwealth Secretariat, ADB, and the UNDP-Regional Centre in Colombo.

The 1<sup>st</sup> SAES is taking place in parallel to the 8<sup>th</sup> SAARC Trade Fair organized by our partner organization FCCISL in the same premises in the next 3 days. These two events are the first two major events after the 15<sup>th</sup> SAARC Summit in Colombo which was successfully completed less than a month ago.

We are indeed pleased to have with us Hon. Rohitha Bogollagama, Minister of Foreign Affairs, Government of Sri Lanka to inaugurate this Summit and be our Chief Guest this morning. The Minister played a pivotal role in ensuring a successful SAARC Summit and his encouragement and support for us has gone a long way in doing the organizational work for this event.

We are also pleased to have with us Prof. Rehman Sobhan, a distinguished economist in the region, to deliver the keynote address. Prof. Sobhan has played a vital role in the South Asian economic cooperation dialogue over the years and was the architect of SACEPS which is a partner institution in organizing this event.

South Asian economies have achieved impressive growth rates since the 1980s, reaching unprecedented growth, averaging close to 6 per cent per year since the 1990s for South Asia as a whole. Yet, the region is the least integrated region of the world, whether one measures integration by intra-regional trade in goods or intra-regional flows of capital. While intra-regional official trade in South Asia has improved with time it still remains low hovering around 5 per cent. This is less than 1 per cent of South Asia's GDP compared to 20 per cent in ASEAN.

Many South Asian scholars have pointed out that regional economic integration has the potential to contribute to the region's prosperity and development in a balanced and inclusive manner. It is a known fact that despite high growth achieved in recent years in South Asia, more than 40 per cent of the global poor live in the region. Thus the region faces enormous challenges of making the growth process more inclusive, and regional economic integration provides a means of addressing these challenges together as a group at a regional level.

Hopes of greater economic integration in the region has been rekindled with SAFTA coming into operation in mid-2006. However, the SAFTA agreement has several limitations as it currently stands. In this context, for the SAFTA to deliver the benefits of trade expansion in the region, it has to be accompanied by improvements in connectivity within the region which is poor at the moment. It is in this context that we have given the theme "Economic Integration in South Asia: SAFTA and Beyond" to highlight the fact that much remains to be done on the economic sphere to promote integration in the region.

The main objectives of the Summit are as follows: first, to take stock of the new economic-related issues emerging from the 15<sup>th</sup> SAARC Summit; second, to follow up of the major theme of the 14<sup>th</sup> SAARC Summit in 2007, that is, improving "connectivity" in the region ( through cooperation in transport, energy, IT and trade facilitation); third, to look at deepening and broadening economic integration by fast tracking goods liberalization under SAFTA and incorporating services and investment for liberalization

in the region; fourth, to deliberate on how to strengthen the SAARC process by empowering the SAARC institutions and the Secretariat; fifth, to explore possibilities to integrate sub-regional economic cooperation to a broader South Asian framework; sixth to analyze ways and means of encouraging more people-to-people contact by promoting tourism and other means; and finally to analyze the emerging new issues in South Asian economic cooperation.

Many conferences on economic issues of South Asia have taken place over the years but this event is unique in terms of mobilization of resource personnel, participants and funding agencies. Altogether we have 18 sessions with 4 plenary sessions and 14 parallel sessions with a large number of distinguished resource personnel from the region and outside. In terms of participation we have a good mixture from the academia, private sector, and the governments in the region. Some of the South Asian private sector personnel attending the SAARC Trade Fair are also participants in this event. Four leading international institutions among others have supported this event and their representatives will be participating as resource persons in some of the sessions. Thus, from a more broader perspective, the objectives of this Summit are to bring together stakeholders from the economic research institutions, private sector, and the governments in the region to review and reflect on economic cooperation within South Asia to date and to seek their views on how the process could be strengthened in the future.

As a regional organization, SAARC has made some progress during the last 23 years but it has yet to deliver concrete results which people of the region can recognize as fruits of cooperation. Sri Lanka currently holds the SAARC Chair and is firmly committed to deepening economic integration in the region. The Hon. Minister of Foreign Affairs in his message to this Economic Summit has stated: “As chair of SAARC, it is the firm intention of Sri Lanka to see that decisions taken at the recently concluded Summit are effectively implemented. In a broader context, Sri Lanka hopes to see tangible and expeditious results in greater integration of the region particularly in the economic sphere in the near future.”

We hope that the final output based on the deliberations of this conference will facilitate this endeavour. SAES is the first of its kind in the region and we hope that it will lay the foundation for future SAES along the lines of the World Economic Forum.

May I once again extend a warm welcome to all of you and hope that you will benefit from the deliberations of this Summit in the next 3 days.