

Dr. Saman Kelegama: SAARC needs a major SHAKEUP!

● An exercise of 'Competitive Deception'

Despite 25 years of existence, there are not much achievements of SAARC. Many forums outside SAARC have attempted to pressurize SAARC to be more action oriented but with little success. The 4th SAARC Business Leaders Conclave took place in Kathmandu during 20-22 September and came out with a Declaration that will be submitted to the 17th SAARC Summit scheduled in Male during 10-11 November, 2011. But there are doubts as to how much movement SAARC will make to incorporate the concerns of the region's business leaders.

The Island Financial Review spoke to Dr. Saman Kelegama, Executive Director, Institute of Policy Studies of Sri Lanka, who was a speaker at the 4th SAARC Business Leaders Conclave, on the key issues of SAARC.

Q: Despite 25 years of operation, SAARC achievements are far from satisfactory. Why is this the case?

A: SAARC is highly vulnerable to regional politics. Thus, adverse political developments in the region slow down activities in the SAARC. Moreover, SAARC decisions are clouded by India-Pakistan politics. For example, Pakistan not offering MFN (Most Favoured Nation) status to India and dealing with India under a 'positive list' in SAFTA, are major constraints to the forward movement of the SAFTA process, which is a key component of SAARC. We have also seen that SAARC decisions are not properly implemented. All these factors have contributed to fewer achievements and the majority of people in the SAARC region are yet to feel the impact of SAARC, and hence there is not much support for SAARC from the general public of the region.

Q: Can specific problems be identified in the SAARC other than the general ones you mentioned?

A: Yes, there are problems at the Member State level and at the SAARC Organizational level. I will deal with the problems at the Member State level first. First, the concept of the nation state is evolving in the region, and therefore an extra-national entity seems something to be reluctantly embraced for the smaller countries. There is a lack of commitment for regional cooperation and the Member level enthusiasm fades away soon after a SAARC Summit. Second, the age old suspicions have led to a 'trust deficit' - fear of Indian domination prevails among smaller nations and India has a fear of smaller nations ganging up against her. Third, there are few binding commitments in the SAARC, thus commitments are most often not implemented. Prof. Muchkund Dubey, former Foreign Secretary of India, has gone to the extent of saying that SAARC Declarations are an "exercise in competitive deception".



At the organizational level, first, the SAARC Charter is biased towards state centric cooperation; second, the SAARC Secretariat has limited powers to drive the organization in-between Summits. Third, inter-governmental decision making has not kept up with South Asian demands and global trends. They are heavily bureaucratic with many layers of decision making, and decision making takes a long time. Moreover, much time in SAARC Summits are allocated for discussing 'housekeeping' matters and thus, less time is taken on hard core issues of economic cooperation. Fourthly, SAARC institutions and structures are not accountable. For example, the activities of the SAARC Documentation Centre or the Food Reserve or the Meteorological Centre are not monitored and updated.

Q: Yes, no doubt all these problems are there but aren't there some achievements?

A: Yes, SAARC has activated a debate on regional cooperation and given life to second track (private sector chambers and academia) and third track (civil society and NGOs) activities. Various South Asian Associations/Societies have come into operation and a dialogue has started on the pros and cons of regional cooperation. These Tracks have created a fraternity of South Asian academics, business persons, professionals, and others. They meet regularly even when Track 1 activities are dormant. Track 2 and 3 journals/websites give an extra-national perspective of the region to keep the people informed on regional developments. For example, the HIMAL Magazine published in Nepal is widely read in the region.

Regional institutions, Social Charters, etc., have come into being and no doubt one can work on them and through them work for the



greater benefit of the people of the region. India, taking into account the asymmetric position in the region, has made some voluntary gestures: (1) offering duty free market access to SAARC LDCs with effect from 1 January 2008, and (2) making a generous contribution to the SAARC Development Fund. These are all achievements but not significant enough to make a breakthrough in the SAARC's progress.

Q: In the economic cooperation sphere, there are less achievements with intra-regional trade around 5% for the last 25 years?

A: Yes, during the 1985-1995 period there was no focus on economic issues and in that decade, SAARC focused on soft issues for the purpose of confidence building in the region. In 1995, SAPTA came to operation and it functioned for a decade till 2005 but the SAPTA framework did not make a major breakthrough because it was based on a so-called "positive list" approach and 'commodity to commodity' negotiations like the old Bangkok Agreement. SAPTA repeated all the mistakes of the Bangkok Agreement when there was clear evidence that the "positive list" approach is ineffective to drive preferential trade. Now SAFTA has operated for half a decade from 2006-2011 but I am afraid the achievements are far from satisfactory, despite it operating under an improved "Negative List" approach. The key reasons being that 53% of the intra-regional imports are outside SAFTA which has 20% of its tariff lines under the 'Negative List'. In other words, actively traded goods in the region have been kept out of the SAFTA framework.

Q: How can we strengthen SAFTA?

A: First, we have to include the actively traded goods under SAFTA and reduce the 'negative list'. Second, we have to remove the Non-Tariff Barriers (NTBs) and implement Trade Facilitation measures for all goods traded under SAFTA under time bound and binding commitments. Third, we have to activate SAFAS (South Asia Framework Agreement on Services) and introduce investment liberalization in the region. We have seen from other regional groupings that the investment-trade nexus plays an important role in driving trade and this nexus operates well when the investment regimes are liberalized with double taxation agreements, investment protection agreements, national treatment, etc., are in place. Then we will see efficiency-seeking industrial restructuring, joint ventures with buy-back arrangements, industrial sub-contracting activities, etc. In other words, we will see more vertical and horizontal integration of industries and consequently, more trade flows. A 'SAARC Investment Area' was mooted sometime back but we are yet to see action in this area.

In this process, we have to ensure that the five LDCs receive Special and Differential Treatment as they need more time to adjust. Already, this provision is included in SAFTA and it has to be carried forward beyond SAFTA.

Q: How could we go about doing this, I mean strengthening frameworks like SAFTA?

A: Member level problems which I highlighted earlier, where possible, need to be addressed. The SAARC Secretariat should be given more

powers to drive the SAARC process in-between Summits, bureaucratic layers have to be cut down, in short, the SAARC organizational structure needs a major shakeup. Having done this, the SAARC official process (Track 1) should have a dialogue with Track 2.

In SAARC, the Track 2 is ahead of the official process or the Track 1 in regard to new ideas and possible ways of implementation. Track 2 is in a strong position to influence Track 1 but the communication between Track 2 and Track 1 is informal, ad

hoc, and personal. We have to find a more formal approach for communication and in this context, the formation of the South Asia Forum was a positive step as per the Declaration of the 16th SAARC Summit in Thimpu. The first South Asia Forum was held in Delhi two weeks ago (7-9 September) and I am informed that a report from this Forum will be fed to the forthcoming Male Summit in November.

If the recommendations of the South Asia Forum and similar Track 2 activities like the 4th SAARC Business Leaders Conclave which was held last week in Kathmandu and the 4th South Asia Economic Summit that will take place in Dhaka, Bangladesh in October, are fed into the SAARC official process and implemented, then frameworks like SAFTA can be strengthened very quickly.

We must wait and watch how much of the South Asia Forum's recommendations will be accepted in Male and thereafter implemented.

Q: How would you like to see the economic cooperation in South Asia moving?

A: I would like to see trade and investment driven economic gains. In the ASEAN, economic gains managed to push political differences aside at crucial times and this is precisely what I would like to see in SAARC. SAARC needs to reap some economic gains from existing institutional arrangements like SAFTA and SAFAS, and this will give SAARC more confidence to move forward to deepen economic integration. Looking beyond SAFTA at transport and energy integration and so on, should be the way forward.

The Group of Eminent Persons report of 1998 recommends SAARC move towards an Economic Union by 2020 and this is what we should aim at. The cost of non-cooperation is high and especially with the centre of gravity of global growth gradually shifting to Asia, there is a great opportunity to deepen economic integration in the region and move forward. A 'win-win' situation can always be worked out for all SAARC members.

GOVERNMENT OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA
MINISTRY OF PORTS & HIGHWAYS
ROAD DEVELOPMENT AUTHORITY

INVITATION FOR BIDS

IMPROVEMENTS TO DEHIYATHAKANDY TOWN ROAD

The Chairman, Road Development Authority (RDA) Procurement Committee on behalf of the RDA invites sealed bids for the improvement of following roads. The work consists of supply and lay of asphalt binder course (19mm).

Name of the Contract package / Contract No.	Direct Construction cost	ICTAD Registration	Bid Security Rs.
Improvements to Dehiyathakandy Town Road (2020m) RDA/DW/EP/GOSL/2011/610	36.9 Mln.	C5	200,000.00
Improvements to Dehiyathakandy Town Road (650m) RDA/DW/EP/GOSL/2011/611	10.9 Mln.	C6	60,000.00

1. To be eligible for contract award, the successful bidder shall be currently registered with the Institute for Construction Training and Development (ICTAD) in Highway specialty in grade mention in above table.
2. Interested bidders may obtain further information from the following office and inspect the bidding documents, during office hours
 - a. Additional Provincial Director (EP), Road Development Authority, Akkaraipattu. Telephone: 060-2672109 or 067-2278971
 - b. Chief Engineer (Akkaraipattu), Road Development Authority, Akkaraipattu. Telephone: 067-2277949, Fax: 067-2277949
3. A complete set of Bidding Documents in English language shall be purchased by interested bidders on submission of a written application to the Additional Provincial Director (EP), RDA, Akkaraipattu, or Director (Works) RDA, 1st Floor, Sethalripeya, Battaramulla, from 28/09/2011 until 18/10/2011 during 09:00 hrs to 15:00 hrs upon payment of a non refundable fee of Rs 3,000.00 (inclusive of VAT).
4. Bids shall be delivered in duplicate to the Chairman, Road Development Authority Procurement Committee, C/o Director General, Road Development Authority, 1st Floor, Sethalripeya, Battaramulla, on or before 14:00 hrs on 18/10/2011. Late bids will be rejected. Bids will be opened soon after the closing, in the presence of the bidder's representatives who chooses to attend.
5. Bid Validity period shall be until 18/01/2012.
6. Bid shall be accompanied by a Bid Security of amount mention in above table valid up to 15/02/2012.
7. The Pre-Bid meeting will be held at 10:30 hrs on 12/10/2011 at the office of the Chief Engineer (Akkaraipattu), Road Development Authority, Akkaraipattu.

The Chairman,
RDA Procurement Committee
Road Development Authority,
First Floor, "Sethalripeya", Battaramulla.