

Though dysfunctional SAARC gives hope during hard times

By Devan Daniel in Nepal

South Asian economists said the underutilized SAARC institution should be made use of to weather the global economic crisis and prepare to capitalize on the opportunities that would be available when the hard times are over.

However, countries would have to get their domestic economies in order before making a thrust for intra-regional economic integration.

Brought low...

Dr. Kelegama said the shift of power within the World Trade Organization has shifted with emerging economies such as Brazil, China, India, Pakistan and Indonesia playing an active role in the negotiation process.

"The WTO is no longer a rich man's club. This is fast fading away," he said.

Strong regional ties will help individual countries in South Asia, particularly the least developed, lobby for fairer trade.

"The US has tried to bulldoze its way through the WTO but we should now unite and work at being stronger together to meet the challenges ahead," Dr. Kelegama said.

"Now is a good time for SAARC member states to develop their supply side capacities, fine-tune institutions and strengthen their regulatory frameworks so as to exploit the gains from a more liberal trading regime in the future," Dr. Saman Kelegama, Executive Director of the Institute of Policy Studies Sri Lanka told a meeting of academics and journalists in Nepal last Friday.

A mistake...

Dr. Kelegama said that Sri Lanka had in the past isolated its neighbours in the past just to please the US when the two countries were working on a free trade agreement.

"The US wanted many things from Sri Lanka. Legislation with regard to monopolies and mergers was dropped from the Consumer Affairs Authority Act to please the US," Dr. Kelegama said adding that these actions proved to be mistakes.

House in order...

"However, countries will first have to put their domestic economies in order, where not much has been done in the past," he said.

Sri Lanka may not be able to make thrust for regional economic integration as it has to concentrate on reviving its economy once the war on terror comes to an end.

Also, Sri Lanka will have to sort out its macro economic fundamentals which will require a lot of effort.

Inflation, an artificial exchange rate, high utility costs and the challenges of bridging a budget deficit in an environment where revenues are shrinking while expenditure is expanding would probably live little room for policy makers to look at and sort out a messy SAARC.

Dysfunctional...

Since 1993 the South Asian grouping has been trying to formulate a trading bloc but a lack of political will has made any progress painfully slow.

Economists for decades have said that a liberalized trade regime in the region with proper safeguards, checks and balances could help combat poverty. It was this vision that created the SAARC Preferential Trading Arrangement (SAPTA) in 1993, replaced by the South Asia Free Trade Area (SAFTA) in 2004.

Apart from economic integration, SAARC has also vowed to fight terrorism and hunger in the region.

But for decades SAARC leaders paid lip service to this ideals and nothing was done, spending millions on 15 SAARC summits and other meetings to make empty promises to the people.

A recent study showed that SAARC secretariats were active only for a few months running up to a SAARC summit. It was also found there was no mechanism in place to monitor the various programmes that had been undertaken while ground-level coordination and communication is non-existent.

A food reserve was created in the late 80s to be used when countries faced a crisis and at one time it was estimated that it contained grain amounting to about 150,000 MT. But the reserves fate, along with its location, no one knows.

"SAARC has so far dealt with soft issues based on culture and sports, where as core issues have been ignored," Dr. Kelegama said.

He said in 2004 when SAFTA came in to force, intra-regional trade accounted for about 3.5 percent to 4 percent of the region's total trade. But today it accounts for less than 5 percent.

Trade within the EU bloc accounts for 66 percent of its total trade, North America Free Trade Agreement (NAFTA) 48 percent and ASEAN 24 percent.

"SAFTA has not lived up to expectations and we cannot be happy with its progress," Dr. Kelegama said.

SAARC leaders have so far paid attention to issues that create political visibility rather than deal with real issues at their summits.

"The agenda's for a SAARC summit are crammed with priorities such as creating slogans like 'Shelter for All' or they want to have a postal stamp for the region or a SAARC car rally. But core issues presented by academics, business chambers and other non-governmental stake-holders get pushed aside," Dr. Kelegama said.

He also said the region lacked an official think tank which could study policies and present recommendations.

"There are too many think tanks in the region presenting a plethora of research papers and this may only confuse policy makers," he said.

While the SAARC leaders have made many declarations and statements, because they are non-binding nothing happens.

Some senior economists of the region expressed their disillusionment and disappointment about the SAARC process because it consistently failed to deliver development to the people. But others said the dialogue must continue so as to keep the hope for a better future alive.

Vibrancy...

Political will is lacking to face development issues that would benefit the people of South Asian region, Dr. Kelegama said civil society (referred to as Track 2) has been active.

"When SAARC came to a virtual standstill in between 1991 and 2001 because of tensions between India and Pakistan various civil society groups such as academics, cardiologists, lawyers and business chambers have been quite active. About 340 events have taken place in single year alone during this people," he said.

Dr. Kelegama said non-governmental stakeholders had a responsibility to remain active and influence policy makers so that the development agenda of SAARC may be realized soon, despite the apparent deficiency of official concurrence.