

# **South Asia Regional Integration**

## **Sri Lanka Country Note**

### **Promoting Regional Integration in South Asia: A Private Sector Perspective**



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**Sri Lanka Country Note**  
Promoting Regional Integration in South Asia:  
A Private Sector Perspective

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## **Background**

For the past decade, South Asia has been the second fastest-growing region in the world, after East Asia, with an average annual growth rate of 5.3 percent. Yet it remains one of the poorest regions. Forty-five percent of the population lives below the international poverty line of \$1 a day, comprising about 40 percent of the world's poor (source: World Bank Group). South Asia's extremely poor reduced by only 14 million between 1990 and 2002 and in the best case and worse case scenarios the extremely poor in the South in 2015 is estimated at 140 million and 327 million respectively, compared to 434 million in 2002 (source: ADB report, Poverty in Asia).

Countries in the South Asia region have emphasized the need for greater regional integration in areas related to trade and investment. There appears to be consensus amongst the private sectors of all South Asian nations at the level of Chambers of Commerce, that greater flow of goods and services and investment resources between countries in the region will help accelerate growth and poverty reduction and enhance competitiveness. However, individual member groups of the private sector and product associations express significantly different views.

The regional integration initiatives commenced with the formation of the South Asian Association of Regional Cooperation (SAARC). The most recent twelfth summit of the leaders of SAARC held in Islamabad led to a commitment for further regional integration initiatives. However, regional integration has been slow. South Asia has lagged behind other regions in enacting essential investment climate reforms. India was among the 10 top reformers in 2003, yet remain in the bottom quartile in rank amongst 145 countries. In South Asian countries, it takes 9 procedures, 45% of income per capita and 47 days to get started in business, whilst in the developed nations the comparatives are 6, 8% and 27 days respectively (source: World Bank Group, Doing Business in 2005). Intra-regional trade has remained stagnant at less than 2% of total trade in the last 25 years. Slow integration is not only true of trade but also in other areas of cooperation. For example, the South Asia Co-operative Environment Programme established in 1982 (SACEP) has been largely ineffective in promoting environmental protection and management.

The private sectors of all South Asian nations recognize that political, economic, implementation capacity, social, cultural and other similar factors, business environment, including country risk ratings for trade and investments, and global perceptions have a significant impact on regional integration led trade, investments and growth.

## **Private sector expectations from regional integration**

The private sector believes that the right political, economic and social policy framework, and accompanying governance framework can lead to political stability, peace and harmony, networking for economic growth, poverty alleviation and improved living standards of people. This, in turn, will help enhance regional integration, including cross border trade and investment opportunities, yielding growth options for the private sectors of the region. In light of the above, the Sri Lankan private sector has set the following expectations as the outcome of regional integration initiatives.

- From low intra-regional trading and investments to a set of nations that optimize intra-regional co-operation;
- From a set of nations that do not effectively co-operate and network seeking to improve global competitiveness in trade (goods and services) to a region that effectively integrates and co-operates in penetrating global trading market opportunities;

- From business entities domestically competing at firm level supported by fragmented Chambers of Commerce, to regional resource allocation optimization focused global competitiveness seeking regional integration strategy leveraging Chambers of Commerce, “thinking beyond boundaries”, and driving production and services initiatives towards value added export of goods and services;
- From a low quality, low productivity, low technology leveraging production systems, with low costs as the only competitive advantage, to a set of nations that benchmark China for productivity, quality and technology;
- From a set of nations with high unemployment and low human development indices to a high people engaged, high human development oriented region
- From shortages of food supplies and resources and at times famine impacted region, to a self sufficient resource rich, food security assured region;
- From weak macro- economies to sustainable surplus yielding economies, continuously accelerating the pace of transformation and structural reforms;
- From a set of nations with low indexation in achievement of millennium development goals, to full realization of such goals;
- From a low level of per capita income and large disparity in incomes and wealth amongst citizens, to a prosperous region with all citizens enjoying an acceptable standard of living, education, health, registering over US \$ 3000 per capita by the year 2020 with a low gini coefficient, where less than 10% of the populations are below the poverty line and thus the most admired, advanced and fastest developing region of the world.

The private sector in Sri Lanka thus sees definite benefits from regional integration in enhancing cross border trade and investments with resultant value enhancement for the private sector and growth for the nation. It has been in the forefront of making submissions, leading the way with action strategies and pressurizing the Sri Lankan Government and officials, in seeking greater integration towards achieving the stated end expectations. Towards the above, the Sri Lankan Chambers have closely linked up with local embassies of regional nations and visiting official and business delegations from these countries and have closely networked with regional chambers of commerce and trade (e.g. close links with Indian, and Pakistan Chambers of Commerce, especially CII and FICCI in India, and Pakistan Chamber of Commerce). The Sri Lankan private sector has canvassed publicly and actively worked towards regional integration and, pending such integration, has actively promoted amongst its membership cross-border trade and investments. The SAARC Chamber of Commerce and Industry has however failed to realise the leadership role expected in supported networked development promotion of trade and investments.

### **Issues impacting effective regional integration and regional integration led growth and development**

The issues noted below have prevented effective regional integration. They have also prevented South Asian nations from more rapid development and benefitting from cross border and global trade and investments.

#### **Political disputes, mistrust and tension**

- Despite many agreements and conventions executed at leadership level, there is low commitment, political will and common binding value systems amongst the regional leaders;
- The disparity in size (i.e. area) amongst nations of South Asia has led to mistrust and tension, with India a towering neighbour seen as a constant hegemonic threat;
- There is a common belief amongst the private sector business leaders that the Indian bureaucracy will not permit any integration moves, unless their own dominance in decision making is preserved;
- Some of the nations being established or separated by wars;

- Cross border terrorism, internal conflict and strife with perceptions of support for troublesome elements coming from neighbouring countries;
- Diversity and divisiveness amongst and within countries in ethnicity, caste systems, religious, social and cultural dimensions;
- Leaders leveraging the above to win votes and elections and in the process creating prejudices and hatred amongst ethnic, religious and other groups

### **Economic conditions**

- Disparity in the state of economic development;
- Macro-economic instability;
- Low level of infrastructure development, poor transportation and trans shipment facilities;
- Many of the economies compete for the same resource pools and markets and the consequential rivalry;
- Failures in economic integration initiatives amongst South Asian nations, including ineffective implementation of SAARC and SAFTA commitments;
- Competing with other regional economic groupings like Indian Ocean Rim Countries, BIMSTEC and bi-lateral trade and investment agreements diluting SAARC implementation;

### **Policy and regulatory deficiencies**

- Short-term and unpredictable policy and regulatory framework resulting partly from unstable political structures; South Asian nations need clear, consistent, long term applicable policies on trade and investments;
- Protective barriers (established by politically powerful network business groups) impacting on cross border trade and investments (i.e., both tariff and non-tariff barriers). The protectionist based inflexible tariff regimes and non tariff barriers prevailing amongst member nations, despite SAFTA initiatives and other bi-lateral trade agreements;
- Weak and ineffective regulatory and enforcement mechanisms;
- Many elements of the essential framework for attracting investment being absent (e.g. intellectual property protection and arbitration mechanisms);
- Shortage of investment capital with regulatory, legal and administrative issues negatively impacting on capital mobility and ease of entry and exit;

### **Lack of a common position, and uniform rules and practices**

- Lack of an agreed regional position in international forums (e.g. WTO, WIPO), leading to ineffective bargaining capacity in these forums;
- Conflicting focus of nations, with some preferring individually negotiated bi-lateral trade and investment regimes in preference to regional initiatives;
- Non uniform taxation systems, customs rules and practices, and administrative inefficiencies and ineffective application of incentive regimes;
- Complex and non transparent rules and regulations, standards, procedures and documentation;

### **Low implementation capability**

- The efficiency and effectiveness of policy implementation and project management is low;
- Low capability of the public sector;

### **Other factors**

- SAARC as a region for trade and investment opportunities is not being well known in the US and Europe;

- Difficulties of regional travel, transportation and human resource mobility, and travel related barriers;
- Law, order and internal security concerns;
- Lack of a binding value system to build pillars of integration, in the wake of diversity and lack of nationalistic feeling and a commitment to regionalism with some elements openly opposing regionalism;
- Ineffective media and communications;
- Lack of initiatives to optimize on regional natural resources and capability, including unique social, religious, cultural, environmental and eco treasures;
- The low effectiveness of multi-lateral agencies in getting individual nations to address macro-economic, social, poverty alleviation and development goals achievement commitments and a lack of focused support for regional integration within programmes and initiatives of these institutions.

## **The way forward**

### **Political leadership initiatives**

- Following a Summit, leaders of all Nations in the grouping (especially India and Pakistan) to agree to a way forward action for implementation with commitment to address the bi-lateral political issues, border disputes, cross border terrorism and trade in arms, drugs and human trafficking issues. These issues to be negotiated and resolved with commitment under a focused internationally mediated support framework facilitated through a special joint initiative of the SAARC Secretariat and the Commonwealth Secretariat, symbolically given leadership by Nelson Mandela and Lee Kuan Yew, with the Secretary General of the Common Wealth Secretariat acting as the Convenor;
- The leaders of SAARC to recognize that the previous commitment to establish a South Asian Economic Union by 2010, will not be a reality. Leaders to then agree that regional integration be achieved in the year 2020, to match the political, economic, social and other integration benchmarks of the European Union. The benchmark assessments should target the respective drivers of integration embedded in the EU, and for this purpose current benchmark webs of the region as a whole and each member country, in the areas of governance, trade and investments should be mapped and re-assessed half yearly and placed before the meetings of the Heads of State and Prime Ministers.<sup>1</sup>
- The SAARC Secretariat to arrange separate annual meetings, alternating in each member nation, where the heads of state, deputy heads of state/prime ministers and leaders of opposition, foreign ministers, finance ministers, trade, commerce, industry, science & technology ministers, health, education, employment and environment ministers and the respective shadow ministers compulsorily devote some time for a retreat, where network relationships are developed, and assess the progress on previously agreed action programmes and agree to the additional commitments required.

### **Strategic analysis and review**

- The SAARC Secretariat, supported by Consultants with expertise, to conduct an audit review and strategic analysis of all issues that have impacted on the effective implementation of SAFTA, especially non-tariff barriers and inefficient and ineffective national facilitation initiatives. This review should lead to an agreed strategy to be implemented in stages, with a regular half-yearly

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<sup>1</sup> Refer to specimen spider web assessment criteria in respect of each area as shown as Annex 1.

post audit process to support the implementation framework.<sup>2</sup> This initiative may be broadened in scope to include an agreed time-frame for liberalization of services, including personal and professional services as well.

- The SAARC Chambers of Commerce, facilitated by the SAARC Secretariat should develop a set of proposals for a reform agenda and regional action programme to make the region an attractive investment destination globally. This should build upon a review of the Global Competitiveness Report and comparative regional competitiveness and doing business studies.
- Establish a “Think Tank” of retired and senior public officials (Ministry Secretaries, Service Commanders, Central Bank Governors and Research Scientists etc.) under Regional Strategic Review Council framework, to develop policy papers and act as Consultants and Advisors for implementation of regional initiatives of the SAARC Secretariat.

### **Harmonization of policies, standards and procedures**

- A group of experts to agree the global conventions and practices that should be adopted regionally for achievement of the objectives of SAARC, and also the harmonization of national policies, treaties and agreements that optimize regional integration led value enhancement (e.g. Anti-Money Laundering, Intellectual Property Protection, Investment Protection etc.) and the harmonization of commercial, arbitration and regulatory structures.
- Ensure standardization, simplification and streamlining of trade, investment, registration, customs and other impacting administrative procedures across the region, to reduce service delivery time, transaction costs and encourage trade and investments. Towards this facilitation establish a Union Integration Customs group, tasked with responsibility of facilitation, removal of barriers, harmonization, standardization and administration of the rules of origin etc.
- Trade facilitation initiatives expediting border crossings, quick customs clearances;
- Maintenance of regional customs bonds, efficient port facilities and improved transport links to be the first steps in encouraging intra-regional trade.
- Implement the commitments to establish a SAARC Regional Standards Board;

### **Education, training and skills development**

- Recognizing that one of the most important resources in the region is its people, all countries together and individually to network with the private sector to agree the strategy for the region to have required skills by 2010 to be globally competitive and attract investments and outsourcing opportunities (special emphasis on English/IT/Science & Technology).
- Training and development needs to skill citizens to leverage overseas skilled job opportunities be addressed along with the skills development needs of returning overseas employed unskilled labour categories.

### **Banking and finance**

- Establish a closer network amongst the Central Banks of the region to expedite structural reforms, gradual removal of capital controls and assure price stability (exchange rates, interest rates and inflation).
- Negotiate a line of support from IMF for South Asian nations to drawdown in defending currency under agreed contingencies and each member country to contribute 10% of the expatriate worker

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<sup>2</sup>As a first step towards implementing this initiative of trade liberalization, remove by end 2004 (well in time before the next phase change of SAFTA trade liberalisation led tariff reductions become effective in 2006), the significantly high impact quantitative restricts on trade enforced by SAARC counties, deepen the concessionary framework interim both in terms of trade coverage and level of concessions, giving priority to the respective producer country competitive advantages and complementary product ranges from the perspective of the exporting nations of the region. Recognizing the current SAARC commitment to a Economic Union by 2010, review and revise with accountability, the phase 1 and phase 2 liberalizations presently aimed at reducing the tariff 0-5% by January 2016 for the less developed countries.

remittances (estimated at \$ 20 Billion) to this foreign exchange reserve fund and invest such funds in bonds tracking returns linked to petroleum prices.

- As a first step towards establishing a regional stock exchange for capital mobilization and enhanced foreign direct investments in the region, remove present restrictions on intra-regional capital market transactions.
- Enhance the efficiency and effectiveness of the Asian Clearing Union processes eliminating the long delays experienced at present and failing terminate arrangements; South Asian common currency (SAEURO) initiatives be abandoned for the present.
- Facilitate early adoption by all South Asian countries of the International Accounting Standards, improving the integration of financial information and facilitation of regional stock market transactions and a common listing process (leveraging South Asian Federation of Accountants).

### **Development Funds**

- Establish a Regional Fund for price support and technology transfer support, during the period of adjustment (related to trade liberalization) to assist small farmers and SME's to improve competitiveness. This Fund may be established with the help of the multi lateral agencies.
- Agree amongst the nations of South Asia a commitment to contribute annually to a South Asian Resource Development Fund (operated as a Regional Development Bank under the aegis of the World Bank and supported by all multi-lateral agencies), an agreed percentage of the GDP of the prior year, based on the principle of capacity to pay, with the Fund objectives being to support the South Asian Nations regional integration led growth and development.

### **Transportation and communication linkages**

- Research and develop the most cost-effective regional transport and trans-shipment options (including rail, ferry and road) and strategies, benchmarked with the best advantaged global hub centers.
- Apply open skies and competitive shipping liberalization policies across the region.

### **Information technology**

- Significantly leverage ICT on a regional basis, leveraging the high strides achieved by India in e-governance, e-education and training, e-driven back offices and call centers, and associated capability and skills development of human resources.
- Establish a regional intranet for all government and private sector trade and contract opportunities in all South Asian nations and cross boarder employment resource opportunities (both available and wanted) to be posted.
- To support the regional integration led growth and development, extend the World Bank supported Global Information Gateway project in Sri Lanka, to become a single gateway link for information, technology and best practice transfers and knowledge sharing, trade and investment facilitation and networking with the Diaspora around the world.
- Encourage International Trade Centre (ITC) to make available South Asian specific market analysis tools including Trade Map and Product Map facilities and SAARC Chamber of Commerce to facilitate regional Chambers to leverage access via a centralised server.

### **Research development and innovation**

- Develop a structure for technology and intellectual property related value options to be acquired by a central source and made available to business entities on rental terms, thus optimizing the collective resource acquisition advantages, as practiced in China.

- Establish a centre for research, commercial exploitation, sustainable growth, extraction and promotion of medicinal and herbal plants, spices and allied plants of value in western markets, including traditional and herbal teas.
- Develop Ayurvedha through research, education and training to become the foremost natural medicinal practice recognised in the world and leverage global competitive advantages.

### **Energy, natural resources and environment**

- Develop regional joint initiatives of exploiting the region's resources of the sea, natural gas and oil both on shore and off shore on a sustainable basis with care for the environment.
- Energy availability and costs being a key impacting factor of competitiveness, South Asian Energy Cooperation initiatives must be a priority of regional integration, with all options of least cost production of electricity via hydro- power potential of some nations, the alternate energy potential of the region (solar, dendro, wind and sea waves) and integrated coal and nuclear plants being optimized. Actively progress SAARC Energy Grid proposal with regional buy back arrangements. Closely network with US funded South Asian Regional Initiative for Energy Co-operation and development.
- SAARC and SACEP to agree a common action programme to be implemented with commitment in assuring regional environmental protection and effective management and implement with commitment (special attention to be focussed on water management).

### **Judicial reforms and governance**

- Establish a Regional Judicial and Good Governance framework linked to the International Court of Justice and Transparency International, whereby:
  - a) mediation and settlement of disputes and complaints arising from SAARC trade, investment and political integration initiatives are resolved by the nations collectively;
  - b) Judicial System to judge on regional constitutional issues impacting on the regional integration effectiveness and serious internal conflict related national legal issues;
  - c) regional bribery and corruption control initiative;
  - d) a regional audit and control system that guides and arbitrates on national audit/governance effectiveness, and e) a regional commercial arbitration and dispute settlement system.
- Establish a regional Institute of Directors affiliated to the SAARC Chamber of Commerce to facilitate management talent development, effective networking and committed to the enforcement of good governance codes of practice.
- Promote a regional university to become a centre of excellence for regional development and integration relations studies, public administration, management and good governance education, training and research with specific emphasis on capacity building in public sector.
- Encourage Transparency International to set up a regional centre and give focussed attention to promoting good governance and control of bribery and corruption.
- Establish a regional media complaints and media freedom assurance council.
- Establish regional elections monitoring and control support system.

### **Liberalization of travel related regulations**

- Support regional integration initiatives and cross border movement of people by withdrawing visa requirements for travel between South Asian countries by their respective citizens. Extend to all visitors to the region the benefit of applying for a South Asian Union visa via any visa issuing South Asian embassy overseas. As a first step negotiate and remove the strict controls now applying to travel between India and Pakistan for their respective citizens.

- Allow settlement of hotel, entertainment and hospital bills by residents of South Asian countries using local currency credit cards.

### Tourism

- Promote the South Asian Region as a unique high value experience option, offering eco-tourism destinations. For this purpose, levy an additional cess from every tourist, and channel the receipts via the Regional Development Fund for tourism promotion. Exploit the potential of care services related business options targeting the rich, elderly and aged western citizens.
- Regional airlines and travel/tourism trade be more closely networked to encourage intra-regional tourism, alliances amongst national carriers and SAARC hotel pass systems and incentive programmes and target the region as an attractive destination for conventions and meetings.
- Establish links amongst regional nations, historical, cultural and leisure/sports bodies and develop a value option for the world and tourists, of a unique presentation of the regions history, culture, leisure and sporting activities and develop a SAARC cultural troupe in each nation.

### Cultural and social aspects

- Establish a South Asian regional television channel to promote regional integration, positive and value adding news, competitiveness enhancing skills and knowledge dissemination, education and preventive health care promotion and seek the promotions of a “South Asian Value System”.
- Establish in each nation a peace, conflict resolution, inter racial- inter religious dialogue, compassion and mindfulness development centers, with a network co-ordination centre, to become the global leader in extending research and promoting the spread of Buddhism, Hinduism, Muslim and allied faiths.
- A high-level composite task force be initiated to implement the SAARC Social Charter with specific reference to children, women and gender issues.
- A group of experts to agree the best strategy for sustainable population control measures that will not be rejected regionally if implemented, due to religious or cultural value systems, whilst assuring that a productive workforce for regional competitiveness is also assured.
- With the deep affiliation to religious values in the people of South Asia, with each of the major religions encouraging the value of giving and sharing (Dana in Buddhism, Sadhana in Hinduism, Sakath in Islam and Giving in Christianity) encourage, communicate and build upon the value system of voluntary giving to the poor and deserving, in a spirit of caring and sharing.
- A regional integration strategy supportive value system development be targeted with communications, especially focusing on the young and women and for this regional contests of talent, sports, culture and art be initiated.
- Regional Millennium Development commitments with poverty alleviation as the top most priority be linked through a regional task force initiated by the SAARC Secretariat, with the Prime Ministers and a key Minister alternate, key officials, Chamber and NGO representation along with multi lateral and other donor agencies, coordinating the adoption and implementation of pro – poor growth strategies and policy interventions and resource pooling, to optimize cost benefits from initiatives across the region, with specific reference to the implementation of the suggestions made in the report “ Our Future Our Responsibility” developed by the South Asia Commission for Poverty Alleviation.

### Global competitiveness

- Establish a Regional Competitiveness Council that will track and facilitate the removal of barriers to competitiveness and also lead the initiative of: a) determining the global competitiveness enhancing best resource allocation amongst the nations of the region in export trade; b) develop market access information databases and promotional strategies, and c) determine the nations and

the states with the optimum competitiveness in resource sourcing, processing, value addition, packaging, trans-shipment so that countries can plug into relevant parts of the global supply chain.

- Develop competitiveness related quality and productivity benchmarks to match China (by 2010).
- To attract foreign investments and encourage trade, develop a long term sustainable and predictable macro-economic, employment, investment and trade policies and associated incentive packages for the region and publicized, and each nation in addition to embody such policies within legislative and regulatory structures.
- As a part of the competitiveness initiative, special attention be focused on shared services for the region as a whole.
- With the facilitation of multi-lateral agencies established in each nation, centres that transfer best practices and values that enhance skills, productivity and quality, benchmarking Japanese skilled workers and work practices.
- Agree minimum benchmarks for environmental health and safety standards complying with international labour standards.

### **Other Initiatives**

- Promote and regionally commit to the concept of a “South Asian Inc”, as a way of life, regional integration, leadership focus, international investment/trade and tourism promotion and vertical and horizontal coordination of initiatives, to enhance productivity and minimize resource waste, and position South Asia as a market with a middle class the size of the population of USA, rich in historical/cultural/spiritual values and eco-friendly, rich in diversity experiences, where the mobilized capability of people match the best in the world.
- The rich experiences and capability of regional community based development entities and micro-finance initiatives be better focused, coordinated and enriched by a collective networked regional initiatives for value chain enhancement.
- Arrange a well-coordinated economic and social research networking with other NGO’s and multilateral agencies.

### **Areas of Caution with Regional Integration Initiatives**

It is important that the leaders and officials taking accountability for regional integration initiatives recognize that there are several areas of caution that must be effectively risk managed for optimum benefits and in reaching the integration goals. These include :

- Recognize that multi-lateral trade initiatives as opposed to regional trade initiatives have yielded higher sustainable economic growth rates (V.Athanasios-IMF working paper 1998). The importance of western markets to a majority of South Asian nations underscores the fact that more liberal trade practices as a whole must be given due priority, even if a drive for regionalism is adopted as the focus strategy. Therefore to assure that regional integration initiatives are not a stumbling but a building block towards effective rule based multi lateral trading systems.
- The SAARC Secretariat to set up panels of experts to regularly meet and review the risks associated with the regional initiatives, with specific reference to those areas which have greater national and other sensitivities, balancing the rights and privileges of the bigger nations with those of the smaller and economically weaker nations.
- Fair and quick dispute resolution by independent panels will be necessary in ensuring top priority to the principles of SAARC, encompassing of Sovereign Equality, Territorial Integrity, Political Independence and Non- Interference in Internal Affairs of other states and mutual benefit.

- Recognize that for a free trade area to be “trade creating and welfare improving”, members of such a union must be least cost producers of exportables (D.A. DeRosa; World Bank Policy Research working paper 2007).
- The impact of presently concluded bi-lateral trade agreements and most favoured nation status concessions available to some countries from the key western investment and trade partners.
- The need to ensure that the land locked and least developed member nations of South Asia are dealt with on an inclusive basis in all Union integration negotiations and are seen by all to have received an equitable sharing of resources with due care and concern.
- The need to ensure that regional shared manufacturing and services initiatives do not result in a loss of competitiveness out of economies of scale, and production in the least cost producing quality assuring set of nations, as referred to by Michael Porter in his theory of comparative advantages of nations.
- Most South Asian economies have traditionally been agrarian based, with states adopting protectionist policies on agricultural produce. The dominance of agricultural products in regional economic output, competing at most times, reduces the comparative advantages of exportables for each state respectively.
- The majority of the population and voters living in rural areas engaged in agriculture and small and micro-industries, and comprising the majority of those impacted by poverty, lack of education, low skills, access to technology and markets and poor health and other infrastructure, may find regional led reforms with long term economic and social benefits not an acceptable option.
- Regional integration led reforms may lead to new groups of extremists emerging focusing on nationalism, religious and other discrimination complaints and hold back the forward march strategy implementation.
- The negative impact on rural poor, small farmers and SME’s need to be addressed to prevent the integration process itself from being rejected.
- Improved human resource mobility and cross border movements may increase the dangers of the spread of AIDS and other communicable diseases.
- Market economy model with taxation as the means to ensure equitable distribution of wealth in the region may be unacceptable within a time frame expected by the poor.
- The leadership of the SAARC Secretariat, SAARC Chamber of Commerce and other regional bodies and task forces must be selected only on meritocracy criteria to ensure that only the most suited persons fill the positions.
- To manage the risk of the regional integration strategies being rejected by small peer groups, by institutionally well planned, carefully positioned and timely national referendum processes.

### **Role of the Private Sector in Regional Integration led Growth and Development**

The private sector must be a key committed partner in the process of regional integration led growth and development initiatives, recognising that political and bureaucratic stumbling blocks will need to be overcome in reaching the set goals, towards which -

- A binding network commitment facilitated by national chambers of commerce and industry, effectively linking up, benefiting and discharging obligations via facilities integrated through the SAARC Chamber of Commerce (SCC). Establishing well represented task forces to commit and agree to strategies and implementation follow up, towards SCC becoming the voice of business of the region, nationally, regionally and globally, and endeavoring to encourage economic cooperation, investments and trade based on optimizing regional value enhancement(special emphasis on seeking global market opportunities promoting regional capability).
- Set up a regional initiative as a networked task force for empowered promotion and removal of roadblocks for optimization of regional trade and investment (intra regional as well as global) and develop strategies to promote trade and investments. The long-term value realizing strategy to

optimise global and intra-regional trade via Free Trade agreements, Regional Trade Agreements to be determined in the context of current country commitments and WTO implementations.

- Set up a regional initiative of employee relations via a special task force, which will handle all social charter issues relevant to employment and compliance with ILO Labour standards.
- Set up three task forces to support achievement of the Millennium Development Goals and promotion of good Corporate Governance and Corporate Social Responsibility across the region.
- Set up a CEO round table consisting of the top 20, 10, 5 Companies of India, Pakistan, Sri Lanka /Bangladesh respectively and top 2 companies of the other member nations, tasked with the responsibility of acting as an independent review and strategy development support group for the above initiatives, with the objective of realizing the vision of the South Asian business becoming the newly emerging, low cost, quality optimized, manufacturing and out sourcing partner hub of the advanced economies.

### **Role of the Multilateral Agencies in Regional Integration led Growth and Development**

Recognizing that multilateral agencies have a significant influence over macro-economic, social, political structures and good governance in individual nations of South Asia. A commitment towards regional integration and networking amongst the multilateral with a focus towards achieving this key objective will be a necessary pre-requisite. Multilateral agencies may be able to support this initiative, by having a regional coordinating centre led by a Regional Director, giving leadership to the focus of regional integration in the respective country programmes and ensuring effective networking to achieve objectives.

### **Role of the Civil Society in Regional Integration led Growth and Development**

Civil society groups and NGO's must be encouraged and given incentives by the nations and multilaterals and other funding donors, to work in tandem with regional programmes, coordinating and networking in order that the focus of regional integration objectives are met. The mass media and communications and charisma of the leaders of South Asian nations must instill in the people of the region, a regional commitment led thoughts and action, at all times leveraging the agreed value system as the core binding agent. Civil society must, through its effective voice and collective action, be the watchdogs and independent assessors of progress in moving the reform and other processes in their respective nations.

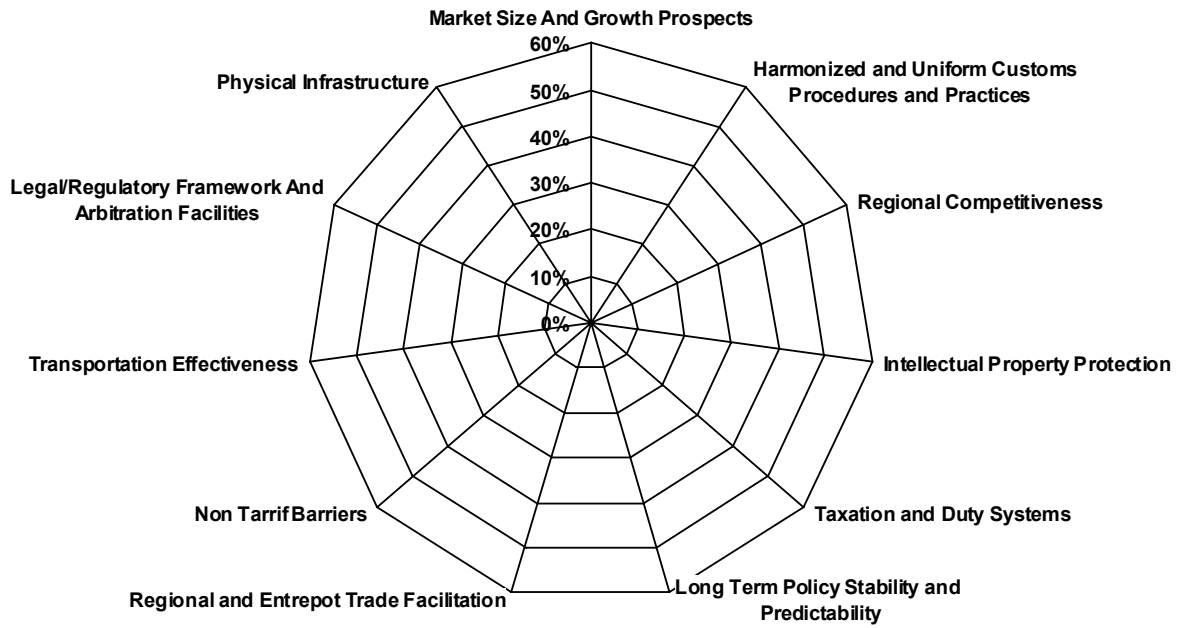
### **Conclusion**

The private sector's hopes for regional integration led growth and development lie in farsighted visionary leaderships of the nations of the region, effectively networking with all stakeholders, in a united initiative to achieve the set goals with commitment. Towards reaching the above, in addition to leadership commitment there is an urgent need for –

- An implementation action plan for the agreed SAARC initiatives, with time targets and accountability to be developed.
- Networks and alliances strengthened between bureaucrats, and chambers/private sector.
- Effective communications enhanced positioning South Asia as the next wave of global trade investment and travel option after China/Vietnam.

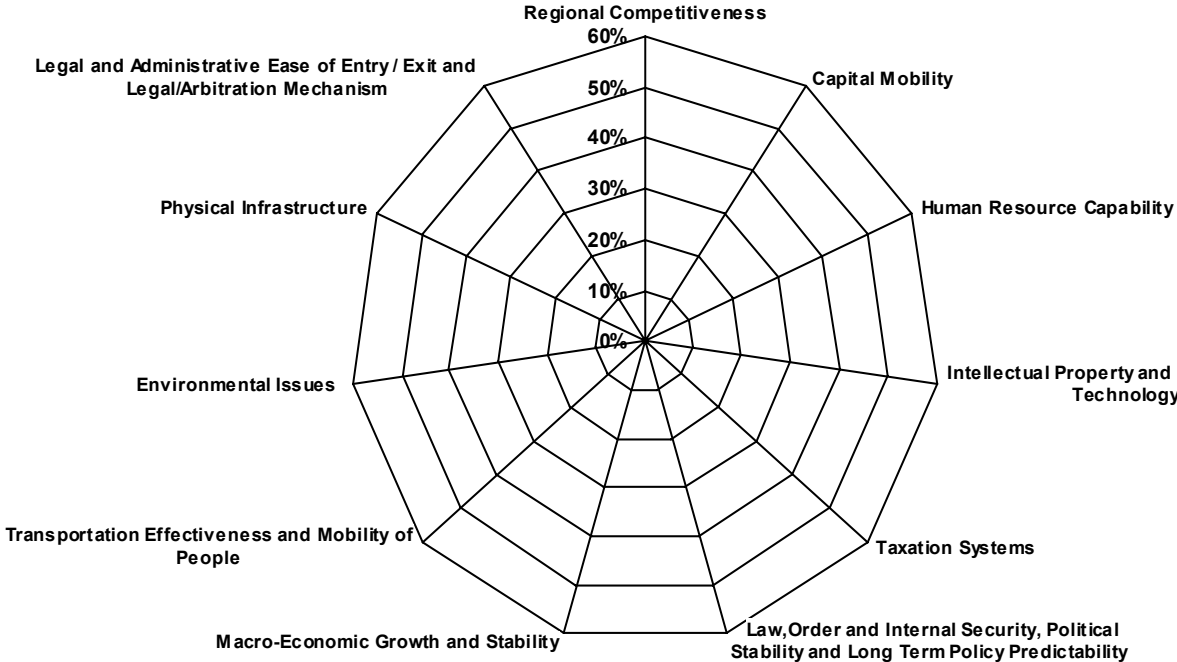
# SOUTH ASIAN TRADE INTEGRATION FRAMEWORK BENCHMARKED TO EUROPEAN UNION

ANNEX – 1a



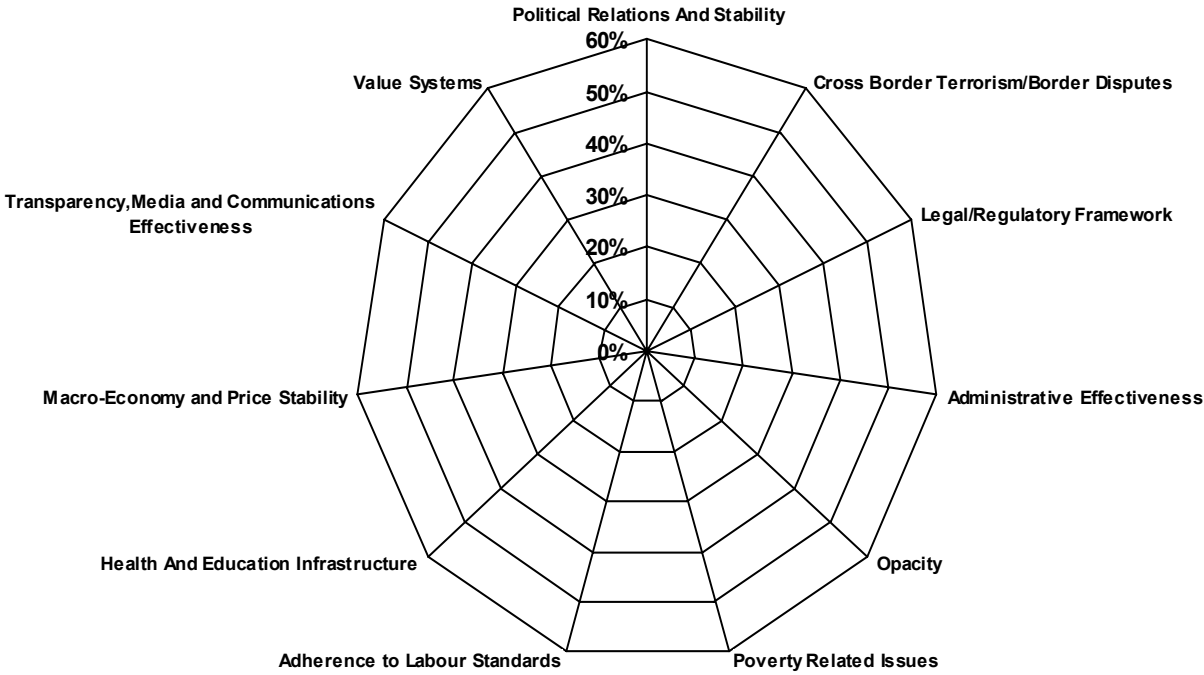
# SOUTH ASIAN INVESTMENTS INTEGRATION FRAMEWORK BENCHMARKED TO EUROPEAN UNION

ANNEX – 1b



# SOUTH ASIAN REGIONAL GOVERNANCE FRAMEWORK BENCHMARKED TO EUROPEAN UNION

ANNEX – 1c



## **The World Bank**

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